

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION LOCAL GOVERNMENT FUNDING SELECT

Call to Order: By **CHAIRMAN BOB STORY**, on February 1, 2001 at 5:10 P.M., in Room 455 Capitol.

ROLL CALL

Members Present:

Rep. Bob Story, Chairman (R)
Rep. Gary Branae (D)
Rep. Eileen Carney (D)
Rep. John Esp (R)
Rep. Jeff Mangan (D)
Rep. Ken Peterson (R)
Rep. Karl Waitschies (R)
Rep. David Wanzenried (D)

Members Excused: None.

Members Absent: None.

Staff Present: Eddy McClure, Legislative Branch
Gregory Petesch, Director of Legal Services of
Legislative Council
Jenni Stockman, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 124, 2/1/2001
Executive Action:

{Tape : 1; Side : A; Approx. Time Counter : 0}

The select committee discussed the amendments (HB124.agp) to HB 124.

Gregory Petesch, Director of Legal Services of Legislative Council, went through the amendments, HB012401.agp, and answered questions on them. They were amendments that were put together to

make this bill work by matching the interim committees decisions that are reflected in the purple "Simplification in the 21st Century" manual.

Amendment 6 - Clarifies the methods that the department will use to compute the base entitlement. This will show all the sources that the department will be reimbursed for. All the fees and taxes that are now centrally collected, are then rolled into one thing. The bill was written with this in mind.

Amendment 7 - Says how the growth in shares will be calculated. It increases the entitlement rate due to the annual growth. To figure out the growth, they look at the annual growth from the past five years and take out the high and the low points of that time. The entitlement share pool growth rate for the first year is then 70% of the average growth rate that was calculated.

Representative Eileen Carney asked if they would recalculate every five years. **Gregory Petesch** answered that the calculation would be done every year. **Representative Waitschies** then asked the Chairman if he thought this fixed the objection that this was basically equalization.

Representative Story said that it would not, but that was not the goal of this amendment. This was just to put the growth rate on so they would not get into budget problems later on.

Amendment 11 - Points out that the local government does not have a tax increment to cover subsection 5 of the bill (Page 3, line 19). Local governments, since they would still be given the same amount of money, would have to take into account the revenue received on the behalf of a special district.

Amendment 14 - Designed to make half the payments due November 30th and the second half by May 31st. This would stop the state from gaining the interest on the money that otherwise would have been in the local government.

Amendment 15 - "does not include revenue received for countywide transportation reimbursements or countywide retirement reimbursements." It also clarifies that the entitlement base was calculated that the vehicle registration was put in for the whole year, rather than a few months, or half a year.

Representative Story asked if it based all the vehicle money on the Flat Tax. He was told he was correct. **Representative Esp** asked when does the Flat fee go into effect? **Gregory Petesch** said that it went into effect for registered vehicles on January 1st.

Amendment 16 - Reimburses the local government what they would have received if fees were not centrally collected in the general fund. This allows for each fiscal year to have a specific dollar calculation they would have received before, rather than the total dollar they were estimated to receive.

Larry Finch, Department of Revenue, then stated that there were amendments to the amendments and it was decided they would look into them now. These other amendments, **Larry Finch** said, provide for reimbursements to government agencies. They provide the Department of Environment for the motor vehicles recycling program. It provides for a dollar and a half for each application of a title, or transferring of a title, under current law, and fifty cents for each passenger car and truck registered. It provides dollar reimbursement, for the fiscal year 2002 and 2003, to Department of Transportation for the revenue reduction as the result of losing the New Cars Sales Tax. This provided for revenue from registration in lieu of tax on heavy trucks. The question was asked if the dollar and a half and the fifty cents would be collected every year, or how that would work. **Greg Petesch** answered that these dollar amounts were what they had been receiving in the past and now they would just be added into the general fund.

Representative Story wondered if the three million dollars for the D.O.T. had been decided in committee. **Larry Finch** reassured him that it had indeed been put into place during the committee. **Representative Story** then asked if it came from the New Vehicle Sales Tax, and was told by **Larry Finch** that this was an appropriations to D.O.T. to keep them whole. D.O.T. lost the New Cars Sales Tax, and to make up that loss, the committee decided that, instead of sending the revenue, that they were now sending to the County Government in lieu of tax and registration on heavy trucks, they would be able to keep that money. Even with this, they would still not be whole. This appropriation would fill in that gap, but is only good for two years though, as that is how the budget was made.

It was stated that there was two dollar figures written for the fiscal year 2002 and 2003, and after that the amount that was gained during the fiscal year 2003 would grow at 1.5% a year, and would receive that amount each year following.

EXHIBIT (1fh26a01)

Representative Story explained that this was the amendment that addressed the issue of motorcycles and snowmobiles, even though they were a different subject. These issues, motorcycles and

snowmobiles, would be discussed later. Because these are different issues than the issues of the amendments, the testimony of **Roger Swearngen** was at first denied. **Representative Wanzenried** challenged this decision, and it was granted.

Roger Swearngen, Director of Motorcycle Safety, Montana Motorcycle Rider Safety, Montana State University - Northern gave his testimony discussing the effect that House Bill 124 would have on the state motorcycle safety program. **EXHIBIT (lfh26a02)**

Representative Story asked how many times the permanently registered motorcyclists would have to pay the five dollar registration fee. Under the current law 115, **Roger Swearngen**, stated that they have to pay five times what the annual fee is, and then they pay nothing. House Bill 124 would make it so they would have to pay five dollars every year. The committee wondered if this was amendment C. It was. **Greg Petesch** commented that it seemed like the motorcyclists would receive more money under this amendment, because they would be getting five dollars a year. **Representative Story** replied that their concern was probably how the motorcycles would be counted.

Roger Swearngen stated that they were not opposed, they were just trying to clarify the importance of whether the revenue of the registration of motorcycles in 115 would ever show up. He agreed with Greg Petesch it would increase the amount.

Representative Story had a question about who would be counting after a motorcycle was registered with that first five dollars.

Roger Swearngen replied that the people who would be counting would be whoever the Department of Justice would include in the vehicle counts. **Representative Story** said they would work on that and figure it out better. **Representative Waitschies** wanted to know if the antique vehicles had a permanent registration as well and was told that they did.

Amendment 29 - **Greg Petesch** explained that Amendment 29 would insert code sections allowing supplemental retirement benefits for certain highway patrol survivors. They are now getting twenty-five cents per certain vehicle registration fees. This section gave the committee much trouble during the first hearing as they could not decide whether to leave this in or take it out. They decided to leave it in so that if there was someone who was still eligible to get this, it would be statutory allocation under section 2. This is temporary and terminates when the last eligible recipient dies, but is there for now.

Amendment 34, is about the fees for the duplicate decals of off roads vehicle. In calculating the reimbursement through that program, the Department had figured the elimination of the decal fee, which was not a registration fee. Since they did not have

that fee in their final numbers, this amendment eliminates the decal fee as well. In doing so, the number that this bill comes up with and the number that the department came up with will coincide.

{Tape : 1; Side : B; Approx. Time Counter : 0}

Amendment 37 - Works with both this bill and Senate bill 176. The interim court and structure decided not to earmark, and so this amendment allows for that and still gives the fee that was needed, rather than reimbursing.

Amendments 39 to 42 deal with the state picking up certain costs that are associated with public assistance. Several bill address the issue of dealing with the distinctions between the assumed or non-assumed counties. Several sections in the bill already address this issue, so these amendments needed to be added in because of other amendments already in the bill.

Amendment 43 - Gets rid of lines 20-25 of page 137 of the bill. This section was about an additional fee for each registration vehicle registered through the proportional registration agreement. Also included in that section was the twenty-five cents from that fee going to the pension fund for the retired patrol officers.

Amendment 44 - This puts vehicle registration fees into the general fund. It was included because of an internal struggle, but because it all goes to the same fund, there is no need to name the fee it was coming from. It applies to fleets only though.

Amendment 45 to 47 converts the assessments of livestock and crops for hail insurance, predator control and other things of that nature, into fees instead of assessments. The Department of Revenue will become the central collection agency for those. The programs will still receive the money, but they will be assessed on a direct fee basis, rather than being collected on the property tax state assessment.

There was a question from the audience about amendment 44. **Greg Petesch** explained that

The audience actually wanted to know about amendment 43 which

Michelle Hand from Missoula to represent motorcyclists, came forth with a testimony. Her question was if the eighteen dollar fee included the five dollar motorcycle safety fee or not. She requested that they put the motorcycles in with the trailers

under the twelve dollar fee. This would allow that, along with the five dollar motorcycle safety fee, the full amount of the registration would be seventeen dollars instead of the eighteen. She also added that she had been looking at the way the collegian funds were being collected for the scholarship. **Representative Story** stopped her at this point, to say that they set the fee by simply making all the fees the same and letting the political process sort it out. He then said that yes, the five dollars would be included in the eighteen dollar fee. **Michelle Hand** then requested that an amendment be put here to move the motorcyclists and the travel trailers into the same fee, the twelve dollar one.

Representative Mangan needed clarification as to why the amendments 39-42 were made. **Greg Petesch** summed it up by saying that they had been added to conform these sections to the other sections that were already in the bill. They dealt with revising the cost that the state provides for public assistance in counties, and removes the distinctions between the assumed counties and the non-assumed counties.

The remainder of those amendments clarify that the Department of Revenue is now the collector of the hail insurance and the livestock fees, and not the county treasurers.

Amendment 58 - This discusses the block grant that is given to each school district. This amendment allows that 70% of the block grant would be due in November, and the other 30% to be due in May.

Amendment 59 This deals with the distribution of the retirement levy and provides that half would be distributed in November and the other half in May. It would be the same for the transportation reimbursement, half in November and half in May. Other changes from the amendment would correct internal references and repeal titles 52 and 53, which deal with the public assistance and gets rid of the references to the poor fund.

When they were done with all of the amendments, **Representative Story** said the purpose of this Select Committee was to approve the amendments so it could then be given back to Local Government, so the amendments needed to be drafted and adopted. **Representative Wanzenried** thought it would be easier for every one involved, if they could have a complete bill sent out from this committee so that every one would be on the same page. He recommended that, rather than sending the bill and all these amendments back to local government, that this committee just draft the bill and then send to the floor.

Greg Petesch replied that if a committee bill was requested, they would have to scrap this current bill and start over. That is possible to do, even though committees do not really ever adopt amendments. The way it would have to be done, is that you could recommend amendments to the full House and then when the committee report is adopted on the House floor, the amendments would be officially in the bill. What this committee could do, would be to recommend a set of amendments to the House Local Government, and at that point, and the amendments would be put into a grey bill so that the committee can understand.

Representative Wanzenried thought that doing a grey bill was a good way to go because then everyone would be able to have a copy of what the bill would look like.

Representative Story disagreed, saying that if a grey bill has to be made for every amendment it would get long and drawn out. He recommended that they simply pencil in the amendment where it belongs. After they were done with these major ones, he said it would be easier to deal with.

Representative Mangan clarified the whole process by stating that they already had the hearing on this bill, and this committee could be making recommendations to Local Government regarding amendments to chose or not to chose to attach them to the bill. Theoretically, he said, we are not presenting the bill back. The four in this committee from Local Government will add these amendments on. He went on to ask if there was anything procedural they could do, rather than have to go back over each amendment and their explanations with the other three from Local Government. He wondered if maybe they could take it to the House Floor to suspend a rule so that what Representative Wanzenried had suggested could be done, without doing a grey bill.

Greg Petesch said it would be possible, but this is a select committee without the power to take it to the House Floor. You could, however request that this be constituted a select committee and they would be referred from Local Government to this committee. It could then report directly to the floor.

The agreement between **Representative Story** and **Representative Neonnig** was that because this bill had been rereferred to this select committee by motion on the Floor, they could report back to the Floor. This agreement, made it so that when they complete their work on this bill, it will be withdrawn from this committee and be put back in Local Government. This was the only way they could get this bill out of there in the first place.

Representative Mangan said they could send to Floor with their recommendations as long as they talk to **Chairman Noennig**, the Local Government committee and the House Leadership. They decided to discuss the matter of which route to go at later time.

Greg Petesch said that if they remain on the path they started out on, all the recommended amendments could be put into a bill that would be useable by the committee. As a whole, they decided that they need to be careful to keep track of all the amendments because there had already been an amendment to an amendment and it could get very confusing.

Representative Story mentioned that when they have proposals to approve or disapprove, he would rather not keep all those to send back to Local Government and put it on them. The starting point is to get the bill where the committee thought they had it last November, which is with this set of amendments. **EXHIBIT (lfh26a03)** There were suggestions as to what to do with this set of amendments, but that will be separately as some have to do with the growth, the permanently registered vehicles, etc. It may be, that when they get done, some of the fees may be different. Things can change, but they must be changed through this committee so they will be able to do the necessary research and discussion to see what must be changed. The money has to add up, if it does not, it will blow the whole bill.

Representative Carney made the motion to approve the series of Greg Petesch's amendments.

Representative Mangan had a question concerning page 3 of the amendments, wondering if this amendment replaced the language or if it was in addition to. **Greg Petesch** answered that it was in addition to that language.

Representative Wanzenried then asked if the committee members discussed this, and if there had been consensus, tie vote, anonymous vote or what. **Representative Story** told him that the committee had indeed discussed this. The committee went through the process of finding a dollar number that worked. They got growth rate based on the gross state product and personal income and averaged that. The growth rate was bigger than therevenue available at that given time. They were also given instructions from the budget office that this bill had to be revenue neutral. They ended up working with 70% of the growth rate.

Representative Wanzenried wanted to know if the public had a comment on that growth, and was told that they had. He was surprised that they would agree with that.

{Tape : 2; Side : A; Approx. Time Counter : 0}

Ed Black, Fiscal Officer for Galliton County spoke next, explaining that he had been to some of **Representative Story's** meetings. His concern was that in a number of places there are different growth rates. Not all the counties have the same growth rate as Galliton County does, and so from his stand point, there would be a negative impact on high growth counties.

Representative Story asked him what the sources of revenue the places with large growth rates were. **Ed Black** answered that it was motor vehicle, corporate license tax, etc. They have a huge increase where the banks go into areas. There is also an increase in the gambling and beer and wine revenues. A large number of the counties will not be receiving revenue growth from those areas though. Of the total budget of Gallatin County each fund is different due to the nature of the fund. In the district court fund, which is primarily supported by taxes, almost 18% is funding from the gambling and beer revenues. In the general fund they have broke out public safety at 5 or 6%. **Representative Story** asked him if those funds which are growing out at 10 or 14% are only 5% of the revenue of that fund. In the general fund, yes, replied **Ed Black**. The question was then asked if the gambling fund was only 5% of the revenue. **Ed Black** answered that that was not the case for them. They only receive about \$130,000 in gambling, which is a very small portion of the general fund.

Representative Story said that the point he was trying to make was that they have high growth in certain areas and their reimbursement on business equipment is not growing at all. Their property taxes are probably fairly frozen, other than what they get for new growth. This is a concern to growing counties.

Representative Mangan asked if there was any one in the room from the Governor's Budget Office. His question to Amy Carleson from that office was if Mr. Swysgood had thought about the growth rate. She said that he was concerned about it because the growth rate was growing higher than the general fund. **Representative Story** wanted to know if Mr. Swysgood had looked at it according to the sources of revenue that were coming in: Motor vehicle, gambling and alcohol. She said that Mr Swysgood had not had that opportunity, but she would get back to **Representative Story** when she found out.

It was opened up for any question the committee might have concerning the big bill.

Representative Story had a question concerning the payment to the counties and if it was going to be twice a year or quarterly. It was going to be quarterly.

Representative Waitschies mentioned that the growing counties have the concern of getting left behind, it was kind of like equalization. **Representative Story** said that that was the concern of Gallatin County. On the other side though is the shrinking counties get propped up. It does tend to equalize revenue resources some. It is kind of an individual county to county thing. **Representative Esp** had the same concerns as **Representative Waitschies**, but was still too unsure as to were the bill was going to make any comment.

Representative Story said one of the purposes of this select committee was to help understand the bill.

They moved to adopt the big amendment. It was adopted with only one nay.

They then moved to do pass on the Department of Revenue Amendments concerning Department of Transportation. It was passed with all ayes.

The meeting was finished and the audience left, and then the committee discussed what they were going to do with the bill.

Representative Mangan wanted to be able to just take up all the bill here and then take directly to the House Floor.

Representative Carney disagreed, saying it would be good for this bill to go back to the Local Government committee because then they would know more about it before taking it to the House Floor. **Representative Esp** thought they should do the bill here, but then send it to Local Government for Executive Action.

Representative Wanzenried thought it should be shown to the public so they would be able to have a chance to give their input. **Greg Petesch** said that the public has had a lot of time to give input because there had been the hearing already, and they were still able to come to the select committee meetings and talk. **Representative Peterson** agreed that there had already been the public hearing. Now it was their decision. **Senator Elliot** said that when the bill came over to the Senate there would be another public hearing then.

{Tape : 2; Side : B; Approx. Time Counter : 0}

Representative Story said they were not bound to one thing. If there was a better idea, bring it up here, not the House Floor. It would be better to rework it here.

ADJOURNMENT

Adjournment: 6:30 P.M.

REP. BOB STORY, Chairman

JENNI STOCKMAN, Secretary

BS/JS

EXHIBIT (lfh26aad)